

VZCZCXRO5217
RR RUEHCHI RUEHCN RUEHDT RUEHHM
DE RUEHJA #3049/01 3051028
ZNR UUUUU ZZH
R 011028Z NOV 07
FM AMEMBASSY JAKARTA
TO RUEHC/SECSTATE WASHDC 6887
INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS
RUEHBJ/AMEMBASSY BEIJING 4444
RUEHBY/AMEMBASSY CANBERRA 1474
RUEHPB/AMEMBASSY PORT MORESBY 3520
RUEHKO/AMEMBASSY TOKYO 1044
RUEHWL/AMEMBASSY WELLINGTON 1956
RUEAIIA/CIA WASHDC
RHHJJPI/USPACOM HONOLULU HI

UNCLAS SECTION 01 OF 02 JAKARTA 003049

SIPDIS

SIPDIS

DEPARTMENT FOR EAP, EAP/MTS, EAP/ANP, INR/EAP
PLEASE PASS TO USAID

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [PHUM](#) [EAID](#) [ID](#)

SUBJECT: FREEPORT IN PAPUA: COMMUNITY DEVELOPMENT AND
TRAINING AND HIRING PAPUANS

REF: JAKARTA 2783

JAKARTA 00003049 001.2 OF 002

11. (SBU) This cable is Sensitive But Unclassified-please handle accordingly. Not for distribution outside of USG channels.

12. (SBU) SUMMARY: Freeport McMoRan is making efforts to address the economic impact of its operations in Papua, Indonesia. During the DCM's recent visit, the company showcased efforts to compensate local populations affected by the mine and to recruit and train Papuan employees. The company's efforts are impressive but economic underdevelopment remains a problem throughout Papua, not just in the area of Freeport's operations. SUMMARY.

13. (SBU) Mission routinely receives complaints and questions about elements of U.S.-based Freeport McMoRan's mining operations in Papua. The complaints focus largely on three areas: environmental impact; community development; and commitment to train and hire a local Papuan workforce. The underlying question is whether the Freeport's operation benefits Papuans. Some members of the international press, the NGO community and U.S. Congress share these concerns.

14. (SBU) Reftel described some of the company's environmental protection efforts. This cable, based on the DCM's recent trip to Timika, describes Freeport's community development and personnel practices. Freeport's programs for the people of Papua are structured around three concentric circles of the population: the Kamoro and Amengme ethnic groups, most directly affected by the mine; the seven ethnic groups (including the Kamoro and Amengme) in the area surrounding the mine; and, the other people of Papua. Beyond the Papuan population, the company also has programs for non-Papuan Indonesians.

COMMUNITY DEVELOPMENT

15. (SBU) Freeport funds two major community development programs, amounting to tens of millions of dollars each year, depending on world copper prices. Freeport's Land Rights Recognition Program and Three Village Program focus entirely on the Kamoro and Amengme people, is designed to compensate them for the loss of traditional lands and other community property as a result of the mine's establishment. The funds,

currently totaling over \$20 million, are managed by local foundations, one for each ethnic group. Priorities of these foundations include housing, education, infrastructure and health care. The program also provides grants for local Papuans to start small businesses.

¶6. (SBU) Freeport also funds a larger community development effort via the "one percent fund," under which one percent of the company's gross revenue goes to a foundation that goes by the acronym LPMak. Under current world gold and copper prices, the company pays about \$50 million annually to this foundation. LPMak's executive director John Nakiaya told the DCM on October 7 that his foundation's top three priorities are education, health and economic development. LPMak's programs are designed to assist all seven ethnic groups in area of the mine, but the board of directors is dominated by Kamoro and Amengme, which try to block projects for the other five groups. (NOTE: Environmental projects, such as the reclamation project described in refTel are funded by the company separately, not using one percent funds.)

¶7. (SBU) LPMak currently manages projects amounting to about \$20 million per year, which means that the foundation is amassing huge funding surpluses that currently sit in rather unproductive bank accounts. L7q^QQ LPMak project is the sole hospital in Timika, which provides medical care at no cost to members of the seven ethnic groups and at modest charge to others. The local government has completed the construction of a new public hospital but this hospital has not yet opened.

¶8. (SBU) Nakiaya also told the DCM that he supports recent

JAKARTA 00003049 002.2 OF 002

efforts by Freeport and USAID to develop a Public Private Partnership. The current modest partnership focuses entirely on cold storage and transportation of Papuan agricultural and marine products, to the tune of about one million dollars per year. He was less definitive, however, when asked how he would view a major expansion of that Freeport-USAID partnership to other community development projects.

TRAINING AND HIRING PAPUANS

¶9. (SBU) Freeport has also established the Nemangkawi Mining Institute, an impressive training facility, managed by another foundation, fully funded by the company with funding separate from the "one percent program. This institute, budgeted at \$7-10 million per year, has trained or is training about 1,500 Indonesians, 90% of whom are Papuans, for skilled mining jobs. Graduates of the three-year training program are free to seek employment anywhere (and a number have gone to Australia). Although Freeport does not guarantee their employment, the company has hired most of the current 500 graduates in skilled positions such as machine operators, welders, and office workers. This training does not involve university graduates, such as engineers or managers, where the number of Papuans hired by the company is not so impressive.

¶10. (SBU) While Freeport still has image problems and difficult relations with many Papuans, the company is clearly committed to contributing to community development, and training and hiring of the Papuan people, especially those in areas surrounding the mine. Critics of the company should be encouraged to see for themselves what the company is doing before making a final judgment.

HUME